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HOUSE BILL 618

48TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2008

INTRODUCED BY

Edward C. Sandoval

AN ACT

RELATING TO TAXATION; PROVIDING RULES FOR INDEXING OF AMOUNTS FOR INFLATION; CHANGING CERTAIN PROVISIONS OF THE INCOME TAX ACT TO CONSOLIDATE PROVISIONS DESCRIBING DETERMINATION OF TAXABLE INCOME; PROVIDING AN INCOME TAX CREDIT BASED ON FILING STATUS, PERSONAL EXEMPTIONS AND TAXABLE INCOME; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF THE NMSA 1978.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. A new section of the Tax Administration Act, Section 7-1-83 NMSA 1978, is enacted to read:

"7-1-83. [NEW MATERIAL] INDEXING AMOUNTS FOR INFLATION.--
The dollar value of an amount used to specify a tax, credit, rebate or other provision that is indexed for inflation pursuant to this section shall be adjusted each calendar year subsequent to the base year according to the following rules:
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1 A. to determine the dollar value of an amount for a
2 calendar year, the dollar value of the amount in the base year
3 shall be multiplied by the inflation adjustment factor
4 determined pursuant to Subsection B of this section and then
5 rounded according to the rules in Subsection D of this section;

6 B. the inflation adjustment factor for a calendar
7 year is the quotient of a fraction:

8 (1) the numerator of which is the sum of the
9 monthly consumer price index values for the twelve months
10 ending in August of the preceding calendar year; and

11 (2) the denominator of which is the sum of the
12 monthly consumer price index values for the twelve months
13 ending in August of the year preceding the base year;

14 C. as used in this section, the "consumer price
15 index" is the last consumer price index published by the United
16 States department of labor for all urban consumers, for all
17 items and for the current series; and

18 D. the amount determined under Subsection A of this
19 section, before rounding, shall be rounded according to the
20 following rules:

21 (1) if the amount is no more than five hundred
22 dollars (\$500) to the nearest one dollar (\$1.00);

23 (2) if the amount is more than five hundred
24 dollars (\$500) but no more than five thousand dollars (\$5,000),
25 to the nearest five dollars (\$5.00);

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1 (3) if the amount is more than five thousand
2 dollars (\$5,000) but no more than fifty thousand dollars
3 (\$50,000), to the nearest fifty dollars (\$50.00); and

4 (4) if the amount is more than fifty thousand
5 dollars (\$50,000), to the nearest five hundred dollars (\$500)."

6 Section 2. Section 7-2-2 NMSA 1978 (being Laws 1986,
7 Chapter 20, Section 26, as amended) is amended to read:

8 "7-2-2. DEFINITIONS.--For the purpose of the Income Tax
9 Act and unless the context requires otherwise:

10 A. "adjusted gross income" means adjusted gross
11 income as defined in Section 62 of the Internal Revenue Code
12 [~~as that section may be amended or renumbered~~];

13 B. "base income":

14 (1) means, for estates and trusts, that part
15 of the estate's or trust's income defined as taxable income and
16 upon which the federal income tax is calculated in the Internal
17 Revenue Code for income tax purposes [~~plus, for taxable years~~
18 ~~beginning on or after January 1, 1991, the amount of the net~~
19 ~~operating loss deduction allowed by Section 172(a) of the~~
20 ~~Internal Revenue Code, as that section may be amended or~~
21 ~~renumbered, and taken by the taxpayer for that year]; and~~

22 (2) means, for taxpayers other than estates or
23 trusts, that part of the taxpayer's income defined as adjusted
24 gross income [~~plus, for taxable years beginning on or after~~
25 ~~January 1, 1991, the amount of the net operating loss deduction~~

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1 ~~allowed by Section 172(a) of the Internal Revenue Code, as that~~
2 ~~section may be amended or renumbered, and taken by the taxpayer~~
3 ~~for that year;~~

4 ~~(3) includes, for all taxpayers, any other~~
5 ~~income of the taxpayer not included in adjusted gross income~~
6 ~~but upon which a federal tax is calculated pursuant to the~~
7 ~~Internal Revenue Code for income tax purposes, except amounts~~
8 ~~for which a calculation of tax is made pursuant to Section 55~~
9 ~~of the Internal Revenue Code, as that section may be amended or~~
10 ~~renumbered; "base income" also includes interest received on a~~
11 ~~state or local bond; and~~

12 ~~(4) includes, for all taxpayers, an amount~~
13 ~~deducted pursuant to Section 7-2-32 NMSA 1978 in a prior~~
14 ~~taxable year if:~~

15 ~~(a) such amount is transferred to~~
16 ~~another qualified tuition program, as defined in Section 529 of~~
17 ~~the Internal Revenue Code, not authorized in the Education~~
18 ~~Trust Act; or~~

19 ~~(b) a distribution or refund is made for~~
20 ~~any reason other than: 1) to pay for qualified higher~~
21 ~~education expenses, as defined pursuant to Section 529 of the~~
22 ~~Internal Revenue Code; or 2) upon the beneficiary's death,~~
23 ~~disability or receipt of a scholarship];~~

24 C. "compensation" means wages, salaries,
25 commissions and any other form of remuneration paid to

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1 employees for personal services;

2 D. "department" means the taxation and revenue
3 department, the secretary or any employee of the department
4 exercising authority lawfully delegated to that employee by the
5 secretary;

6 E. "dependent" means "dependent" as defined by
7 Section 152 of the Internal Revenue Code;

8 [~~E.~~] F. "fiduciary" means a guardian, trustee,
9 executor, administrator, committee, conservator, receiver,
10 individual or corporation acting in any fiduciary capacity;

11 [~~F.~~] G. "filing status" means [~~"married filing~~
12 ~~joint returns", "married filing separate returns", "head of~~
13 ~~household", "surviving spouse" and "single", as those terms are~~
14 ~~generally defined for federal tax purposes]~~ the taxpayer's
15 marital and family status, which may be one of the following:

16 (1) "married individuals filing joint returns"
17 or "married filing jointly" means married individuals eligible
18 to file a federal income tax return jointly with the taxpayer's
19 spouse pursuant to Section 6013 of the Internal Revenue Code;

20 (2) "married individuals filing separate
21 returns" or "married filing separately" means a married
22 taxpayer not filing a federal income tax return jointly with
23 the taxpayer's spouse;

24 (3) "head of household" means "head of
25 household" as that term is defined by Section 2(b) of the

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1 Internal Revenue Code;

2 (4) "surviving spouse" means "surviving
3 spouse" as that term is defined by Section 2(a) of the Internal
4 Revenue Code; and

5 (5) "single" means an unmarried individual not
6 a head of household or surviving spouse;

7 H. "first year resident" means an individual who
8 moves to New Mexico with the intent to make this state the
9 individual's permanent residence;

10 [~~G.~~] I. "fiscal year" means any accounting period
11 of twelve months ending on the last day of any month other than
12 December;

13 [~~H.~~] ~~"head of household" means "head of household"~~
14 ~~as generally defined for federal income tax purposes;~~

15 [~~F.~~] J. "individual" means a natural person, an
16 estate, a trust or a fiduciary acting for a natural person,
17 trust or estate;

18 [~~J.~~] K. "Internal Revenue Code" means the United
19 States Internal Revenue Code of 1986, as that code may be
20 amended or its sections renumbered;

21 [~~K.~~] ~~"lump-sum amount" means for the purpose of~~
22 ~~determining liability for federal income tax, an amount that~~
23 ~~was not included in adjusted gross income but upon which the~~
24 ~~five-year-averaging or the ten-year-averaging method of tax~~
25 ~~computation provided in Section 402 of the Internal Revenue~~

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1 Code, as that section may be amended or renumbered, was
2 applied;]

3 L. "modified gross income" means [~~all income of the~~
4 ~~taxpayer and, if any, the taxpayer's spouse and dependents,~~
5 ~~undiminished by losses and from whatever source, including:~~

- 6 (1) ~~compensation;~~
- 7 (2) ~~net profit from business;~~
- 8 (3) ~~gains from dealings in property;~~
- 9 (4) ~~interest;~~
- 10 (5) ~~net rents;~~
- 11 (6) ~~royalties;~~
- 12 (7) ~~dividends;~~
- 13 (8) ~~alimony and separate maintenance payments;~~
- 14 (9) ~~annuities;~~
- 15 (10) ~~income from life insurance and endowment~~
16 ~~contracts;~~
- 17 (11) ~~pensions;~~
- 18 (12) ~~discharge of indebtedness;~~
- 19 (13) ~~distributive share of partnership income;~~
- 20 (14) ~~income in respect of a decedent;~~
- 21 (15) ~~income from an interest in an estate or a~~
22 ~~trust;~~
- 23 (16) ~~social security benefits;~~
- 24 (17) ~~unemployment compensation benefits;~~
- 25 (18) ~~workers' compensation benefits;~~

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1 ~~(19) public assistance and welfare benefits;~~
2 ~~(20) cost of living allowances; and~~
3 ~~(21) gifts]~~ the sum of the taxpayer's adjusted

4 gross income, the adjusted gross income, if any, of the
5 taxpayer's spouse and dependents and any amount not included in
6 the taxpayer's, spouse's or dependent's adjusted gross income
7 pursuant to Section 86 of the Internal Revenue Code; [M.]

8 "modified gross income" ~~[excludes]~~ does not include:

9 (1) payments for hospital, dental, medical or
10 drug expenses to or on behalf of the taxpayer;

11 (2) the value of room and board provided by
12 federal, state or local governments or by private individuals
13 or agencies based upon financial need and not as a form of
14 compensation;

15 (3) payments pursuant to a federal, state or
16 local government program directly or indirectly to a third
17 party on behalf of the taxpayer when identified to a particular
18 use or invoice by the payer; or

19 (4) payments for credits and rebates pursuant
20 to the Income Tax Act and made for a credit pursuant to Section
21 7-3-9 NMSA 1978;

22 [N. ~~"net income" means, for estates and trusts,~~
23 ~~base income adjusted to exclude amounts that the state is~~
24 ~~prohibited from taxing because of the laws or constitution of~~
25 ~~this state or the United States and means, for taxpayers other~~

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1 ~~than estates or trusts, base income adjusted to exclude:~~

2 ~~(1) an amount equal to the standard deduction~~
3 ~~allowed the taxpayer for the taxpayer's taxable year by Section~~
4 ~~63 of the Internal Revenue Code, as that section may be amended~~
5 ~~or renumbered;~~

6 ~~(2) an amount equal to the itemized deductions~~
7 ~~defined in Section 63 of the Internal Revenue Code, as that~~
8 ~~section may be amended or renumbered, allowed the taxpayer for~~
9 ~~the taxpayer's taxable year less the amount excluded pursuant~~
10 ~~to Paragraph (1) of this subsection;~~

11 ~~(3) an amount equal to the product of the~~
12 ~~exemption amount allowed for the taxpayer's taxable year by~~
13 ~~Section 151 of the Internal Revenue Code, as that section may~~
14 ~~be amended or renumbered, multiplied by the number of personal~~
15 ~~exemptions allowed for federal income tax purposes;~~

16 ~~(4) income from obligations of the United~~
17 ~~States of America less expenses incurred to earn that income;~~

18 ~~(5) other amounts that the state is prohibited~~
19 ~~from taxing because of the laws or constitution of this state~~
20 ~~or the United States;~~

21 ~~(6) for taxable years that began prior to~~
22 ~~January 1, 1991, an amount equal to the sum of:~~

23 ~~(a) net operating loss carryback~~
24 ~~deductions to that year from taxable years beginning prior to~~
25 ~~January 1, 1991 claimed and allowed, as provided by the~~

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1 ~~Internal Revenue Code; and~~

2 ~~(b) net operating loss carryover~~
3 ~~deductions to that year claimed and allowed; and~~

4 ~~(7) for taxable years beginning on or after~~
5 ~~January 1, 1991, an amount equal to the sum of any net~~
6 ~~operating loss carryover deductions to that year claimed and~~
7 ~~allowed, provided that the amount of any net operating loss~~
8 ~~carryover from a taxable year beginning on or after January 1,~~
9 ~~1991 may be excluded only as follows:~~

10 ~~(a) in the case of a timely filed~~
11 ~~return, in the taxable year immediately following the taxable~~
12 ~~year for which the return is filed; or~~

13 ~~(b) in the case of amended returns or~~
14 ~~original returns not timely filed, in the first taxable year~~
15 ~~beginning after the date on which the return or amended return~~
16 ~~establishing the net operating loss is filed; and~~

17 ~~(c) in either case, if the net operating~~
18 ~~loss carryover exceeds the amount of net income exclusive of~~
19 ~~the net operating loss carryover for the taxable year to which~~
20 ~~the exclusion first applies, in the next four succeeding~~
21 ~~taxable years in turn until the net operating loss carryover is~~
22 ~~exhausted; in no event shall a net operating loss carryover be~~
23 ~~excluded in any taxable year after the fourth taxable year~~
24 ~~beginning after the taxable year to which the exclusion first~~
25 ~~applies;~~

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1 ~~Θ.~~ M. "net operating loss" means any net operating
2 loss, as defined by Section 172(c) of the Internal Revenue Code
3 [~~as that section may be amended or renumbered~~] for a taxable
4 year as further increased by the income, if any, from
5 obligations of the United States for that year less related
6 expenses;

7 ~~[P.]~~ N. "net operating loss carryover" means the
8 amount, or any portion of the amount, of a net operating loss
9 for any taxable year that, pursuant to [~~Paragraph (6) or (7) of~~
10 ~~Subsection N of this section~~] Subsection D of Section 7-2-4
11 NMSA 1978, may be excluded from base income;

12 ~~[Q.]~~ O. "nonresident" means every individual not a
13 resident of [~~this state~~] New Mexico;

14 ~~[R.]~~ "person" means any individual, estate, trust,
15 receiver, cooperative association, club, corporation, company,
16 firm, partnership, limited liability company, joint venture,
17 syndicate or other association; "person" also means, to the
18 extent permitted by law, any federal, state or other
19 governmental unit or subdivision or agency, department or
20 instrumentality thereof;

21 P. "personal exemption" means a taxpayer, a spouse
22 or a dependent that qualifies the taxpayer for a deduction for
23 personal exemptions pursuant to Section 151 of the Internal
24 Revenue Code;

25 ~~[S.]~~ Q. "resident" means an individual who is

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1 domiciled in [~~this state~~] New Mexico during any part of the
2 taxable year or an individual who is physically present in
3 [~~this state~~] New Mexico for one hundred eighty-five days or
4 more during the taxable year; but any individual, other than
5 someone who was physically present in [~~the state~~] New Mexico
6 for one hundred eighty-five days or more during the taxable
7 year, who, on or before the last day of the taxable year,
8 changed the individual's place of abode to a place without
9 [~~this state~~] New Mexico with the bona fide intention of
10 continuing actually to abide permanently without [~~this state~~]
11 New Mexico is not a resident for the purposes of the Income Tax
12 Act for periods after that change of abode;

13 [~~F.~~] R. "secretary" means the secretary of taxation
14 and revenue or the secretary's delegate;

15 [~~U.~~] S. "state" means any state of the United
16 States, the District of Columbia, the commonwealth of Puerto
17 Rico, any territory or possession of the United States or any
18 political subdivision of a foreign country;

19 [~~V.~~] T. "state or local bond" means a bond issued
20 by a state other than New Mexico or by a local government other
21 than one of New Mexico's political subdivisions, the interest
22 from which is excluded from income for federal income tax
23 purposes under Section 103 of the Internal Revenue Code; [~~as~~
24 ~~that section may be amended or renumbered;~~

25 ~~W. "surviving spouse" means "surviving spouse" as~~

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1 ~~generally defined for federal income tax purposes;~~

2 ~~X.]~~ U. "taxable income" means ~~[net income less any~~
3 ~~lump-sum amount]~~ base income plus the additions to base income
4 set forth in Section 7-2-3.1 NMSA 1978 less the exemptions set
5 forth in Sections 7-2-4, 7-2-5.2, 7-2-5.5, 7-2-5.6, 7-2-5.7,
6 7-2-5.9, 7-2-5.10 and 7-2-5.11 NMSA 1978 or any other section
7 of the Income Tax Act creating an exemption effective after
8 June 30, 2008 and less the deductions set forth in Sections
9 7-2-32, 7-2-34, 7-2-36 and 7-2-37 NMSA 1978 or any other
10 section of the Income Tax Act creating a deduction effective
11 after June 30, 2008;

12 ~~Y.]~~ V. "taxable year" means the calendar year or
13 fiscal year upon the basis of which the ~~[net]~~ taxable income is
14 computed under the Income Tax Act and includes, in the case of
15 the return made for a fractional part of a year under the
16 provisions of the Income Tax Act, the period for which the
17 return is made; and

18 ~~Z.]~~ W. "taxpayer" means any individual subject to
19 the tax imposed or eligible for a credit authorized by the
20 Income Tax Act."

21 Section 3. Section 7-2-3 NMSA 1978 (being Laws 1965,
22 Chapter 202, Section 3, as amended) is amended to read:

23 "7-2-3. IMPOSITION AND LEVY OF TAX.--A tax is imposed at
24 the rates specified in the Income Tax Act upon the ~~[net]~~
25 taxable income of every resident individual and upon the ~~[net]~~

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1 taxable income of every nonresident individual employed or
2 engaged in the transaction of business in, into or from [~~this~~
3 ~~state~~] New Mexico or deriving any income from any property or
4 employment within [~~this state~~] New Mexico."

5 Section 4. A new section of the Income Tax Act, Section
6 7-2-3.1 NMSA 1978, is enacted to read:

7 "7-2-3.1. [NEW MATERIAL] ADDITIONS TO FEDERAL TAXABLE
8 INCOME OR ADJUSTED GROSS INCOME.--The following amounts shall
9 be added to the taxpayer's federal taxable income or adjusted
10 gross income, as appropriate:

11 A. for taxable years beginning on or after January
12 1, 1991, the amount of the net operating loss deduction allowed
13 by Section 172(a) of the Internal Revenue Code and taken by the
14 taxpayer for that year;

15 B. any other income of the taxpayer not included in
16 base income but upon which a federal tax is calculated pursuant
17 to the Internal Revenue Code for income tax purposes, except
18 amounts for which a calculation of tax is made pursuant to
19 Section 55 of the Internal Revenue Code;

20 C. interest received on a state or local bond; and

21 D. an amount deducted pursuant to Section 7-2-32
22 NMSA 1978 in a prior taxable year if:

23 (1) the amount is transferred to another
24 qualified tuition program, as defined in Section 529 of the
25 Internal Revenue Code, not authorized in the federal Education

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1 Trust Act; or

2 (2) a distribution or refund is made for any
3 reason other than:

4 (a) to pay for qualified higher
5 education expenses, as defined pursuant to Section 529 of the
6 Internal Revenue Code; or

7 (b) upon the beneficiary's death,
8 disability or receipt of a scholarship."

9 Section 5. Section 7-2-4 NMSA 1978 (being Laws 1965,
10 Chapter 202, Section 4, as amended) is amended to read:

11 "7-2-4. EXEMPTIONS.--No income tax shall be imposed upon:

12 A. the income of a trust organized or created in
13 the United States and forming part of a stock bonus, pension or
14 profit-sharing plan of an employer for the exclusive benefit of
15 [his] the employer's employees or their beneficiaries, which
16 trust is exempt from taxation under the provisions of the
17 Internal Revenue Code; [~~or~~]

18 B. the income of religious, educational, benevolent
19 or other organizations not organized for profit, which are
20 exempt from income taxation under the Internal Revenue Code
21 except to the extent that such income is subject to federal
22 income taxation as "unrelated business income" under the
23 Internal Revenue Code;

24 C. the income of a taxpayer from:

25 (1) obligations of the United States less

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1 expenses incurred to earn that income; or

2 (2) amounts that New Mexico is prohibited from
3 taxing because of the laws or constitution of New Mexico or the
4 United States constitution; or

5 D. for taxable years beginning on or after January
6 1, 1991, an amount equal to the sum of the net operating loss
7 carryover exemptions to the taxable year that are claimed and
8 allowed; provided, however:

9 (1) that the exemption is only applied:

10 (a) in the case of a timely filed
11 return, in the taxable year immediately following the taxable
12 year for which the return is filed; or

13 (b) in the case of amended returns or
14 original returns not timely filed, in the first taxable year
15 beginning after the date on which the return or amended return
16 establishing the net operating loss is filed; and

17 (2) if the net operating loss carryover
18 exceeds the amount of taxable income exclusive of the net
19 operating loss carryover for the taxable year to which the
20 exemption first applies, the exemption shall be applied in the
21 next four succeeding taxable years in turn until the net
22 operating loss carryover is exhausted; in no event shall a net
23 operating loss carryover be exempted in any taxable year after
24 the fourth taxable year beginning after the taxable year to
25 which the exemption first applies."

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1 Section 6. Section 7-2-5.2 NMSA 1978 (being Laws 1985,
2 Chapter 114, Section 1, as amended) is amended to read:

3 "7-2-5.2. EXEMPTION--INCOME OF PERSONS SIXTY-FIVE AND
4 OLDER OR BLIND.--

5 A. Any individual sixty-five years of age or older
6 or who, for federal income tax purposes, is blind may claim an
7 exemption in an amount specified in Subsections [A] B through
8 [C] D of this section not to exceed eight thousand dollars
9 (\$8,000) of income includable except for this exemption in
10 [~~net~~] taxable income. [~~Individuals having income both within~~
11 ~~and without this state shall apportion this exemption in~~
12 ~~accordance with regulations of the secretary.~~

13 ~~A.]~~ B. For married individuals filing separate
14 returns, for any taxable year beginning on or after January 1,
15 1987:

| | | |
|----|-------------------------------------|---------------------------|
| 16 | | The maximum amount of |
| 17 | If adjusted | exemption allowable under |
| 18 | gross income is: | this section shall be: |
| 19 | Not over \$15,000 | \$8,000 |
| 20 | Over \$15,000 but not over \$16,500 | \$7,000 |
| 21 | Over \$16,500 but not over \$18,000 | \$6,000 |
| 22 | Over \$18,000 but not over \$19,500 | \$5,000 |
| 23 | Over \$19,500 but not over \$21,000 | \$4,000 |
| 24 | Over \$21,000 but not over \$22,500 | \$3,000 |
| 25 | Over \$22,500 but not over \$24,000 | \$2,000 |

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1 Over \$24,000 but not over \$25,500 \$1,000
2 Over \$25,500 0.

3 ~~[B.]~~ C. For heads of household, surviving spouses and
4 married individuals filing joint returns, for any taxable year
5 beginning on or after January 1, 1987:

6 The maximum amount of
7 If adjusted exemption allowable under
8 gross income is: this section shall be:

9 Not over \$30,000 \$8,000
10 Over \$30,000 but not over \$33,000 \$7,000
11 Over \$33,000 but not over \$36,000 \$6,000
12 Over \$36,000 but not over \$39,000 \$5,000
13 Over \$39,000 but not over \$42,000 \$4,000
14 Over \$42,000 but not over \$45,000 \$3,000
15 Over \$45,000 but not over \$48,000 \$2,000
16 Over \$48,000 but not over \$51,000 \$1,000
17 Over \$51,000 0.

18 ~~[C.]~~ D. For single individuals, for any taxable year
19 beginning on or after January 1, 1987:

20 The maximum amount of
21 If adjusted exemption allowable under
22 gross income is: this section shall be:

23 Not over \$18,000 \$8,000
24 Over \$18,000 but not over \$19,500 \$7,000
25 Over \$19,500 but not over \$21,000 \$6,000

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| | | |
|---|-------------------------------------|---------|
| 1 | Over \$21,000 but not over \$22,500 | \$5,000 |
| 2 | Over \$22,500 but not over \$24,000 | \$4,000 |
| 3 | Over \$24,000 but not over \$25,500 | \$3,000 |
| 4 | Over \$25,500 but not over \$27,000 | \$2,000 |
| 5 | Over \$27,000 but not over \$28,500 | \$1,000 |
| 6 | Over \$28,500 | 0." |

7 Section 7. Section 7-2-5.5 NMSA 1978 (being Laws 1995,
8 Chapter 42, Section 1) is amended to read:

9 "7-2-5.5. EXEMPTION--EARNINGS BY INDIANS, THEIR INDIAN
10 SPOUSES AND INDIAN DEPENDENTS ON INDIAN LANDS.--An individual
11 may claim an exemption of income includable in taxable income,
12 except for this exemption, in an amount equal to the income
13 earned by a member of a New Mexico federally recognized Indian
14 nation, tribe, band or pueblo, [his] the member's spouse or
15 dependent, who is a member of a New Mexico federally recognized
16 Indian nation, tribe [band] or pueblo, [is exempt from state
17 income tax] if the income is earned from work performed within
18 and the member, spouse or dependent lives within the boundaries
19 of the Indian member's or the spouse's reservation or pueblo
20 grant or within the boundaries of lands held in trust by the
21 United States for the benefit of the member or spouse or [his]
22 the member's or spouse's nation, tribe [band] or pueblo, subject
23 to restriction against alienation imposed by the United States."

24 Section 8. Section 7-2-5.6 NMSA 1978 (being Laws 1995,
25 Chapter 93, Section 8) is amended to read:

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1 "7-2-5.6. EXEMPTION--MEDICAL CARE SAVINGS ACCOUNTS.--

2 Except as provided in Section [~~6 of this act~~] 59A-23D-6 NMSA
3 1978, an individual may claim an exemption of income includable
4 in taxable income, except for this exemption in an amount equal
5 to employer and employee contributions to medical care savings
6 accounts established pursuant to the Medical Care Savings
7 Account Act, the interest earned on those accounts and money
8 reimbursed to an employee for eligible medical expenses from
9 those accounts or money advanced to the employee by the employer
10 for eligible medical expenses pursuant to that act [~~are exempt~~
11 from taxation]."

12 Section 9. Section 7-2-5.7 NMSA 1978 (being Laws 2002,
13 Chapter 58, Section 1) is amended to read:

14 "7-2-5.7. EXEMPTION--INCOME OF INDIVIDUALS ONE HUNDRED
15 YEARS OF AGE OR OLDER.--~~[The income of]~~ An individual who is a
16 natural person, who is one hundred years of age or older and who
17 is not a dependent of another individual [~~is exempt from state~~
18 ~~income tax]~~ may claim an exemption of all income includable in
19 taxable income except for this exemption."

20 Section 10. Section 7-2-5.9 NMSA 1978 (being Laws 2005,
21 Chapter 104, Section 6) is amended to read:

22 "7-2-5.9. EXEMPTION--UNREIMBURSED OR UNCOMPENSATED MEDICAL
23 CARE EXPENSES OF INDIVIDUALS SIXTY-FIVE YEARS OF AGE OR OLDER.--

24 A. Any individual sixty-five years of age or older may
25 claim an additional exemption from income includable in taxable

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underscored material = new
[bracketed material] = delete

1 income, except for this exemption, [~~in net income~~] in an amount
2 equal to three thousand dollars (\$3,000) for medical care
3 expenses paid by the individual for that individual or for the
4 individual's spouse or dependent during the taxable year if
5 those medical care expenses exceed twenty-eight thousand dollars
6 (\$28,000) and if the medical care expenses are not reimbursed or
7 compensated for by insurance or otherwise.

8 B. As used in this section:

9 [~~(1)~~] ~~"dependent" means "dependent" as defined in~~
10 ~~Section 152 of the Internal Revenue Code;~~

11 ~~(2)]~~ (1) "health care facility" means a hospital,
12 outpatient facility, diagnostic and treatment center,
13 rehabilitation center, freestanding hospice or other similar
14 facility at which medical care is provided;

15 [~~(3)~~] (2) "medical care" means the diagnosis,
16 cure, mitigation, treatment or prevention of disease or for the
17 purpose of affecting any structure or function of the body;

18 [~~(4)~~] (3) "medical care expenses" means amounts
19 paid for:

20 (a) the diagnosis, cure, mitigation,
21 treatment or prevention of disease or for the purpose of
22 affecting any structure or function of the body if provided by a
23 physician or in a health care facility;

24 (b) prescribed drugs or insulin;

25 (c) qualified long-term care services as

underscored material = new
[bracketed material] = delete

1 defined in Section 7702B(c) of the Internal Revenue Code;

2 (d) insurance covering medical care,
3 including amounts paid as premiums under Part B of Title 18 of
4 the Social Security Act or for a qualified long-term care
5 insurance contract defined in Section 7702B(b) of the Internal
6 Revenue Code, if the insurance or other amount is paid from
7 income included in the taxpayer's adjusted gross income for the
8 taxable year;

9 (e) specialized treatment or the use of
10 special therapeutic devices if the treatment or device is
11 prescribed by a physician and the patient can show that the
12 expense was incurred primarily for the prevention or alleviation
13 of a physical or mental defect or illness; and

14 (f) care in an institution other than a
15 hospital, such as a sanitarium or rest home, if the principal
16 reason for the presence of the person in the institution is to
17 receive the medical care available; provided that if the meals
18 and lodging are furnished as a necessary part of such care, the
19 cost of the meals and lodging are "medical care expenses";

20 [~~(5)~~] (4) "physician" means a medical doctor,
21 osteopathic physician, dentist, podiatrist, chiropractic
22 physician or psychologist licensed or certified to practice in
23 New Mexico; and

24 [~~(6)~~] (5) "prescribed drug" means a drug or
25 biological that requires a prescription of a physician for its

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underscored material = new
[bracketed material] = delete

1 use by an individual."

2 Section 11. Section 7-2-5.10 NMSA 1978 (being Laws 2006,
3 Chapter 50, Section 1) is amended to read:

4 "7-2-5.10. EXEMPTION--NEW MEXICO NATIONAL GUARD MEMBER
5 PREMIUMS PAID FOR GROUP LIFE INSURANCE.--An individual who
6 receives reimbursement from the service members' life insurance
7 reimbursement fund may claim an exemption in the amount of that
8 reimbursement, from income includable in taxable income, except
9 for this exemption [~~in net income~~]."

10 Section 12. Section 7-2-5.11 NMSA 1978 (being Laws 2007,
11 Chapter 45, Section 11) is amended to read:

12 "7-2-5.11. EXEMPTION--ARMED FORCES SALARIES.--An
13 individual may claim an exemption of income includable in
14 taxable income, except for this exemption, in an amount equal to
15 a salary paid by the United States to a taxpayer for active duty
16 service in the armed forces of the United States [~~is exempt from~~
17 ~~state income taxation~~]."

18 Section 13. Section 7-2-7 NMSA 1978 (being Laws 2005,
19 Chapter 104, Section 4) is amended to read:

20 "7-2-7. INDIVIDUAL INCOME TAX [RATES] RATE.--The tax
21 imposed by Section 7-2-3 NMSA 1978 shall be imposed at the
22 [~~following rates~~] rate of four and nine-tenths percent of
23 taxable income for [~~any~~] a taxable year beginning on or after
24 January 1, 2008.

25 [~~A. For married individuals filing separate returns:~~

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underscored material = new
[bracketed material] = delete

1 ~~If the taxable income is: The tax shall be:~~
2 ~~Not over \$4,000 1.7% of taxable income~~
3 ~~Over \$4,000 but not over \$8,000 \$68.00 plus 3.2% of excess~~
4 ~~over \$4,000~~
5 ~~Over \$8,000 but not over \$12,000 \$196 plus 4.7% of excess over~~
6 ~~\$8,000~~
7 ~~Over \$12,000 \$384 plus 4.9% of excess over~~
8 ~~\$12,000.~~

9 ~~B. For heads of household, surviving spouses and~~
10 ~~married individuals filing joint returns:~~

11 ~~If the taxable income is: The tax shall be:~~
12 ~~Not over \$8,000 1.7% of taxable income~~
13 ~~Over \$8,000 but not over \$16,000 \$136 plus 3.2% of~~
14 ~~excess over \$8,000~~
15 ~~Over \$16,000 but not over \$392 plus 4.7% of~~
16 ~~\$24,000 excess over \$16,000~~
17 ~~Over \$ 24,000 \$768 plus 4.9% of excess over~~
18 ~~\$24,000.~~

19 ~~C. For single individuals and for estates and trusts:~~

20 ~~If the taxable income is: The tax shall be:~~
21 ~~Not over \$5,500 1.7% of taxable income~~
22 ~~Over \$5,500 but not over \$11,000 \$93.50 plus 3.2% of~~
23 ~~excess over \$5,500~~
24 ~~Over \$11,000 but not over \$269.50 plus 4.7% of~~
25 ~~\$16,000 excess over \$ 11,000~~

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underscored material = new
[bracketed material] = delete

1 ~~Over \$16,000 ——— \$504.50 plus 4.9% of excess over \$16,000.~~

2 ~~D. The tax on the sum of any lump-sum amounts included~~
3 ~~in net income is an amount equal to five multiplied by the~~
4 ~~difference between:~~

5 ~~(1) the amount of tax due on the taxpayer's~~
6 ~~taxable income; and~~

7 ~~(2) the amount of tax that would be due on an~~
8 ~~amount equal to the taxpayer's taxable income and twenty percent~~
9 ~~of the taxpayer's lump-sum amounts included in net income.]"~~

10 Section 14. Section 7-2-7.1 NMSA 1978 (being Laws 1980,
11 Chapter 102, Section 1, as amended) is amended to read:

12 "7-2-7.1. TAX TABLES.--In lieu of the tax rate
13 [~~computations~~] computation required in Section 7-2-7 NMSA 1978
14 and the credit computations required in Section 7-2-7.4 NMSA
15 1978, the secretary may adopt regulations requiring taxpayers to
16 pay taxes in accordance with tax rate tables and to claim the
17 credit in accordance with the credit tables. The tax and credit
18 tables may be established either by regulation or by
19 instruction, but shall be computed substantially on the basis of
20 the [~~rates~~] rate prescribed in Section 7-2-7 NMSA 1978 and the
21 credit authorized in Section 7-2-7.4 NMSA 1978. The secretary
22 may, by regulation or instruction, exclude from the application
23 of this section taxpayers having [~~net~~] taxable incomes in excess
24 of an amount to be determined by the secretary and may exclude
25 taxpayers in any [~~net-income~~] taxable-income class having more

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underscored material = new
[bracketed material] = delete

1 personal exemptions than the number of personal exemptions
2 specified by the secretary for that category."

3 Section 15. A new section of the Income Tax Act, Section
4 7-2-7.4 NMSA 1978, is enacted to read:

5 "7-2-7.4. [NEW MATERIAL] TAX CREDIT--CREDIT FOR
6 EXEMPTIONS, DEDUCTIONS, RATE BRACKETS AND STATE AND LOCAL
7 TAXES.--

8 A. A taxpayer who files an individual New Mexico
9 income tax return may claim a credit in an amount equal to the
10 sum of the amounts determined under Subsections B through E of
11 this section, subject to the limitation imposed by Subsection G
12 of this section.

13 B. A taxpayer who files an individual New Mexico
14 income tax return and is not a trust, estate or dependent of
15 another taxpayer may claim a credit in an amount determined
16 under Paragraphs (1) through (5) of this subsection according to
17 the taxpayer's filing status reduced by the amount determined
18 under Paragraph (6) of this subsection.

19 (1) For married individuals filing separate
20 returns with no dependents:

| | |
|---------------------------------------|-------------------------|
| 21 If taxable income is: | The credit shall be: |
| 22 Not over \$8,950 | \$0.00 plus 4.90% of |
| 23 | the excess over \$0 |
| 24 Over \$8,950 but not over \$12,950 | \$438.55 plus 3.20% of |
| 25 | the excess over \$8,950 |

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underscored material = new
[bracketed material] = delete

| | | |
|---|-------------------------------------|--------------------------|
| 1 | Over \$12,950 but not over \$16,950 | \$566.55 plus 1.70% of |
| 2 | | the excess over \$12,950 |
| 3 | Over \$16,950 but not over \$20,950 | \$634.55 plus 0.20% of |
| 4 | | the excess over \$16,950 |
| 5 | Over \$20,950 | \$642.55. |

6 For each dependent of the taxpayer, the taxable income
7 amounts in the table shall all be increased by the increment
8 amount and the percentages in the table used to determine the
9 credit at all taxable income levels.

10 (2) For surviving spouses with no dependents:

| 11 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 12 | Not over \$14,400 | \$0.00 plus 4.90% of |
| 13 | | the excess over \$0 |
| 14 | Over \$14,400 but not over \$22,400 | \$705.60 plus 3.20% of |
| 15 | | the excess over \$14,400 |
| 16 | Over \$22,400 but not over \$30,400 | \$961.60 plus 1.70% of |
| 17 | | the excess over \$22,400 |
| 18 | Over \$30,400 but not over \$38,400 | \$1,097.60 plus 0.20% of |
| 19 | | the excess over \$30,400 |
| 20 | Over \$38,400 | \$1,113.60. |

21 For each dependent of the taxpayer, the taxable income
22 amounts in the table shall all be increased by the increment
23 amount and the percentages in the table used to determine the
24 credit at all taxable income levels.

25 (3) For married individuals filing joint

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underscored material = new
[bracketed material] = delete

1 returns with no dependents:

| 2 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 3 | Not over \$17,900 | \$0.00 plus 4.90% of |
| 4 | | the excess over \$0 |
| 5 | Over \$17,900 but not over \$25,900 | \$877.10 plus 3.20% of |
| 6 | | the excess over \$17,900 |
| 7 | Over \$25,900 but not over \$33,900 | \$1,133.10 plus 1.70% of |
| 8 | | the excess over \$25,900 |
| 9 | Over \$33,900 but not over \$41,900 | \$1,269.10 plus 0.20% of |
| 10 | | the excess over \$33,900 |
| 11 | Over \$41,900 | \$1,285.10. |

12 For each dependent of the taxpayer, the taxable income
13 amounts in the table shall all be increased by the increment
14 amount and the percentages in the table used to determine the
15 credit at all taxable income levels.

16 (4) For single individuals with no dependents:

| 17 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 18 | Not over \$8,950 | \$0.00 plus 4.90% of |
| 19 | | the excess over \$0 |
| 20 | Over \$8,950 but not over \$14,450 | \$438.55 plus 3.20% of |
| 21 | | the excess over \$8,950 |
| 22 | Over \$14,450 but not over \$19,950 | \$641.55 plus 1.70% of |
| 23 | | the excess over \$14,450 |
| 24 | Over \$19,950 but not over \$24,950 | \$708.05 plus 0.20% of |
| 25 | | the excess over \$19,950 |

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underscored material = new
[bracketed material] = delete

1 Over \$24,950 \$718.05.

2 For each dependent of the taxpayer, the taxable income
3 amounts in the table shall all be increased by the increment
4 amount and the percentages in the table used to determine the
5 credit at all taxable income levels.

6 (5) For heads of household with no dependents:

7 If taxable income is: The credit shall be:

| | |
|--|--------------------------|
| 8 Not over \$11,500 | \$0.00 plus 4.90% of |
| 9 | the excess over \$0 |
| 10 Over \$11,500 but not over \$19,500 | \$563.50 plus 3.20% of |
| 11 | the excess over \$11,500 |
| 12 Over \$19,500 but not over \$27,500 | \$819.50 plus 1.70% of |
| 13 | the excess over \$19,500 |
| 14 Over \$27,500 but not over \$35,500 | \$955.50 plus 0.20% of |
| 15 | the excess over \$27,500 |
| 16 Over \$35,500 | \$971.50. |

17 For each dependent of the taxpayer, the taxable income
18 amounts in the table shall all be increased by the increment
19 amount and the percentages in the table used to determine the
20 credit at all taxable income levels.

21 (6) For 2008 and 2009, the amount of the
22 credit determined under Paragraphs (1) through (5) of this
23 subsection shall be reduced, but not below zero, by the amount
24 equal to the product of four and nine-tenths percent and the
25 amount of the reduction in the deduction for personal exemptions
.170999.3

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[bracketed material] = delete

1 determined pursuant to Section 151(d)(3) of the Internal Revenue
2 Code.

3 (7) For purposes of this subsection, the
4 increment amount is three thousand five hundred dollars
5 (\$3,500).

6 (8) For 2010 and subsequent years, the taxable
7 income amounts in the tables in Paragraphs (1) through (5) of
8 this subsection and the increment amount in Paragraph (7) of
9 this subsection shall be indexed for inflation under the
10 provisions of Section 7-1-83 NMSA 1978 using 2009 as the base
11 year, and the credit amounts at each taxable income level in
12 each table shall be recomputed using the percentages in the
13 table.

14 C. A taxpayer who files an individual New Mexico
15 income tax return and is a trust, estate or dependent of another
16 taxpayer may claim a credit in the following amount:

| 17 If taxable income is: | The credit shall be: |
|--|--------------------------|
| 18 Not over \$5,500 | \$0.00 plus 3.20% of |
| 19 | the excess over \$0 |
| 20 Over \$5,500 but not over \$11,000 | \$176.00 plus 1.70% of |
| 21 | the excess over \$5,500 |
| 22 Over \$11,000 but not over \$16,000 | \$269.50 plus 0.20% of |
| 23 | the excess over \$11,000 |
| 24 Over \$16,000 | \$279.50. |

25 For 2010 and subsequent years, the taxable income amounts
.170999.3

1 in the table shall be indexed for inflation under the provisions
2 of Section 7-1-83 NMSA 1978 using 2009 as the base year, and the
3 credit amounts at each taxable income level recomputed using the
4 percentages in the table.

5 D. A taxpayer who files an individual New Mexico
6 income tax return and is not a trust, estate or dependent of
7 another taxpayer may claim a credit in an amount determined
8 under Paragraphs (1) through (5) of this subsection according to
9 the taxpayer's filing status.

10 (1) For married individuals filing separate
11 returns with:

12 (a) one personal exemption:

| 13 If taxable income is: | The credit shall be: |
|--|--------------------------|
| 14 Not over \$8,950 | \$0.00 |
| 15 Over \$8,950 but not over \$11,450 | \$0.00 plus 1.70% of |
| 16 | the excess over \$8,950 |
| 17 Over \$11,450 but not over \$12,950 | \$42.50 plus 0.00% of |
| 18 | the excess over \$11,450 |
| 19 Over \$12,950 but not over \$15,000 | \$42.50 plus 1.50% of |
| 20 | the excess over \$12,950 |
| 21 Over \$15,000 but not over \$15,380 | \$73.25 plus 1.16% of |
| 22 | the excess over \$15,000 |
| 23 Over \$15,380 but not over \$16,950 | \$77.66 less 0.64% of |
| 24 | the excess over \$15,380 |
| 25 Over \$16,950 but not over \$18,710 | \$67.61 plus 0.86% of |

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$16,950
2 Over \$18,710 but not over \$20,950 \$82.75 less 0.94% of
3 the excess over \$18,710
4 Over \$20,950 but not over \$22,040 \$61.69 less 0.74% of
5 the excess over \$20,950
6 Over \$22,040 but not over \$27,512 \$53.62 less 0.98% of
7 the excess over \$22,040
8 Over \$27,512 \$0.00;

9 (b) two personal exemptions:

10 If taxable income is: The credit shall be:
11 Not over \$12,450 \$0.00
12 Over \$12,450 but not over \$16,450 \$0.00 plus 1.70% of
13 the excess over \$12,450
14 Over \$16,450 but not over \$16,750 \$68.00 plus 3.20% of
15 the excess over \$16,450
16 Over \$16,750 but not over \$19,610 \$77.60 plus 0.82% of
17 the excess over \$16,750
18 Over \$19,610 but not over \$20,450 \$101.05 less 1.28% of
19 the excess over \$19,610
20 Over \$20,450 but not over \$22,460 \$90.30 plus 0.22% of
21 the excess over \$20,450
22 Over \$22,460 but not over \$24,450 \$94.72 less 1.88% of
23 the excess over \$22,460
24 Over \$24,450 but not over \$25,320 \$57.31 less 1.68% of
25 the excess over \$24,450

.170999.3

underscored material = new
[bracketed material] = delete

1 Over \$25,320 but not over \$27,498 \$42.69 less 1.96% of
2 the excess over \$25,320
3 Over \$27,498 \$0.00;

4 (c) three personal exemptions:

| 5 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|---------------------------|
| 6 | Not over \$15,950 | \$0.00 |
| 7 | Over \$15,950 but not over \$19,950 | \$0.00 plus 1.70% of |
| 8 | | the excess over \$15,950 |
| 9 | Over \$19,950 but not over \$20,280 | \$68.00 plus 3.20% of |
| 10 | | the excess over \$19,950 |
| 11 | Over \$20,280 but not over \$22,780 | \$78.56 plus 0.48% of |
| 12 | | the excess over \$20,280 |
| 13 | Over \$22,780 but not over \$23,950 | \$90.56 less 1.92% of the |
| 14 | | excess over \$22,780 |
| 15 | Over \$23,950 but not over \$25,280 | \$68.10 less 0.42% of |
| 16 | | the excess over \$23,950 |
| 17 | Over \$25,280 but not over \$27,497 | \$62.51 less 2.82% of |
| 18 | | the excess over \$25,280 |
| 19 | Over \$27,497 | \$0.00; |

20 (d) four personal exemptions:

| 21 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 22 | Not over \$19,450 | \$0.00 |
| 23 | Over \$19,450 but not over \$23,030 | \$0.00 plus 1.70% of |
| 24 | | the excess over \$19,450 |
| 25 | Over \$23,030 but not over \$23,450 | \$60.86 less 1.36% of |

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underscored material = new
[bracketed material] = delete

1 the excess over \$23,030
2 Over \$23,450 but not over \$25,250 \$55.15 plus 0.14% of
3 the excess over \$23,450
4 Over \$25,250 but not over \$27,450 \$57.67 less 2.56% of
5 the excess over \$25,250
6 Over \$27,450 but not over \$27,470 \$1.35 less 1.06% of
7 the excess over \$27,450
8 Over \$27,470 but not over \$27,500 \$1.14 less 3.76% of
9 the excess over \$27,470
10 Over \$27,500 \$0.00;

11 (e) five personal exemptions:

12 If taxable income is: The credit shall be:
13 Not over \$0.00 \$0.00
14 Over \$22,950 but not over \$25,230 \$0.00 plus 1.70% of
15 the excess over \$22,950
16 Over \$25,230 but not over \$26,950 \$38.76 less 1.70% of
17 the excess over \$25,230
18 Over \$26,950 but not over \$27,230 \$9.52 less 0.20% of
19 the excess over \$26,950
20 Over \$27,230 but not over \$27,510 \$8.96 less 3.20% of
21 the excess over \$27,230
22 Over \$27,510 \$0.00;

23 (f) six personal exemptions:

24 If taxable income is: The credit shall be:
25 Not over \$26,450 \$0.00

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underscored material = new
[bracketed material] = delete

1 Over \$26,450 but not over \$27,020 \$0.00 plus 1.70% of
2 the excess over \$26,450
3 Over \$27,020 but not over \$27,495 \$9.69 less 2.04% of
4 the excess over \$27,020
5 Over \$27,495 \$0.00; and

6 (g) seven or more personal exemptions,
7 the credit is zero dollars (\$0.00).

8 (2) For surviving spouses with:

9 (a) one personal exemption:

| 10 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 11 | Not over \$14,400 | \$0.00 |
| 12 | Over \$14,400 but not over \$16,900 | \$0.00 plus 1.70% of |
| 13 | | the excess over \$14,400 |
| 14 | Over \$16,900 but not over \$22,400 | \$42.50 plus 0.00% of |
| 15 | | the excess over \$16,900 |
| 16 | Over \$22,400 but not over \$24,900 | \$42.50 plus 1.50% of |
| 17 | | the excess over \$22,400 |
| 18 | Over \$24,900 but not over \$30,000 | \$80.00 plus 0.00% of |
| 19 | | the excess over \$24,900 |
| 20 | Over \$30,000 but not over \$30,400 | \$80.00 less 0.32% of |
| 21 | | the excess over \$30,000 |
| 22 | Over \$30,400 but not over \$32,640 | \$78.72 plus 1.18% of |
| 23 | | the excess over \$30,400 |
| 24 | Over \$32,640 but not over \$38,400 | \$105.15 less 0.47% of |
| 25 | | the excess over \$32,640 |

.170999.3

underscored material = new
[bracketed material] = delete

1 Over \$38,400 but not over \$39,910 \$78.08 less 0.27% of
2 the excess over \$38,400
3 Over \$39,910 but not over \$55,013 \$74.00 less 0.49% of
4 the excess over \$39,910
5 Over \$55,013 \$0.00;

6 (b) two personal exemptions:

7 If taxable income is: The credit shall be:
8 Not over \$17,900 \$0.00
9 Over \$17,900 but not over \$22,900 \$0.00 plus 1.70% of
10 the excess over \$17,900
11 Over \$22,900 but not over \$25,900 \$85.00 plus 0.00% of
12 the excess over \$22,900
13 Over \$25,900 but not over \$30,000 \$85.00 plus 1.50% of
14 the excess over \$25,900
15 Over \$30,000 but not over \$30,750 \$146.50 plus 1.16% of
16 the excess over \$30,000
17 Over \$30,750 but not over \$33,900 \$155.20 less 0.64% of
18 the excess over \$30,750
19 Over \$33,900 but not over \$37,420 \$135.04 plus 0.86% of
20 the excess over \$33,900
21 Over \$37,420 but not over \$41,900 \$165.31 less 0.94% of
22 the excess over \$37,420
23 Over \$41,900 but not over \$44,080 \$123.20 less 0.74% of
24 the excess over \$41,900
25 Over \$44,080 but not over \$55,005 \$107.07 less 0.98% of

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underscored material = new
[bracketed material] = delete

1 the excess over \$44,080

2 Over \$55,005 \$0.00;

3 (c) three personal exemptions:

4 If taxable income is: The credit shall be:

5 Not over \$21,400 \$0.00

6 Over \$21,400 but not over \$28,900 \$0.00 plus 1.70% of
7 the excess over \$21,400

8 Over \$28,900 but not over \$29,400 \$127.50 plus 0.00% of
9 the excess over \$28,900

10 Over \$29,400 but not over \$30,000 \$127.50 plus 1.50% of
11 the excess over \$29,400

12 Over \$30,000 but not over \$35,310 \$136.50 plus 0.99% of
13 the excess over \$30,000

14 Over \$35,310 but not over \$37,400 \$189.07 less 0.96% of
15 the excess over \$35,310

16 Over \$37,400 but not over \$41,460 \$169.01 plus 0.54% of
17 the excess over \$37,400

18 Over \$41,460 but not over \$45,400 \$190.93 less 1.41% of
19 the excess over \$41,460

20 Over \$45,400 but not over \$47,620 \$135.38 less 1.21% of
21 the excess over \$45,400

22 Over \$47,620 but not over \$55,002 \$108.51 less 1.47% of
23 the excess over \$47,620

24 Over \$55,002 \$0.00;

25 (d) four personal exemptions:

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underscored material = new
[bracketed material] = delete

| 1 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 2 | Not over \$24,900 | \$0.00 |
| 3 | Over \$24,900 but not over \$32,900 | \$0.00 plus 1.70% of |
| 4 | | the excess over \$24,900 |
| 5 | Over \$32,900 but not over \$33,500 | \$136.00 plus 3.20% of |
| 6 | | the excess over \$32,900 |
| 7 | Over \$33,500 but not over \$39,210 | \$155.20 plus 0.82% of |
| 8 | | the excess over \$33,500 |
| 9 | Over \$39,210 but not over \$40,900 | \$202.02 less 1.28% of |
| 10 | | the excess over \$39,210 |
| 11 | Over \$40,900 but not over \$44,930 | \$180.39 plus 0.22% of |
| 12 | | the excess over \$40,900 |
| 13 | Over \$44,930 but not over \$48,900 | \$189.26 less 1.88% of |
| 14 | | the excess over \$44,930 |
| 15 | Over \$48,900 but not over \$50,640 | \$114.62 less 1.68% of |
| 16 | | the excess over \$48,900 |
| 17 | Over \$50,640 but not over \$54,997 | \$85.39 less 1.96% of |
| 18 | | the excess over \$50,640 |
| 19 | Over \$54,997 | \$0.00; |

(e) five personal exemptions:

| 21 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 22 | Not over \$28,400 | \$0.00 |
| 23 | Over \$28,400 but not over \$36,400 | \$0.00 plus 1.70% of |
| 24 | | the excess over \$28,400 |
| 25 | Over \$36,400 but not over \$37,270 | \$136.00 plus 3.20% of |

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$36,400
2 Over \$37,270 but not over \$42,600 \$163.84 plus 0.65% of
3 the excess over \$37,270
4 Over \$42,600 but not over \$44,400 \$198.49 less 1.60% of
5 the excess over \$42,600
6 Over \$44,400 but not over \$47,930 \$169.69 less 0.10% of
7 the excess over \$44,400
8 Over \$47,930 but not over \$52,400 \$166.16 less 2.35% of
9 the excess over \$47,930
10 Over \$52,400 but not over \$53,270 \$61.11 less 2.15% of
11 the excess over \$52,400
12 Over \$53,270 but not over \$55,001 \$42.41 less 2.45% of
13 the excess over \$53,270
14 Over \$55,001 \$0.00;

15 (f) six personal exemptions:

16 If taxable income is: The credit shall be:
17 Not over \$31,900 \$0.00
18 Over \$31,900 but not over \$39,900 \$0.00 plus 1.70% of
19 the excess over \$31,900
20 Over \$39,900 but not over \$40,560 \$136.00 plus 3.20% of
21 the excess over \$39,900
22 Over \$40,560 but not over \$45,560 \$157.12 plus 0.48% of
23 the excess over \$40,560
24 Over \$45,560 but not over \$47,900 \$181.12 less 1.92% of
25 the excess over \$45,560

.170999.3

underscored material = new
[bracketed material] = delete

1 Over \$47,900 but not over \$50,560 \$136.19 less 0.42% of
2 the excess over \$47,900
3 Over \$50,560 but not over \$54,993 \$125.02 less 2.82% of
4 the excess over \$50,560
5 Over \$54,993 \$0.00;

6 (g) seven personal exemptions:

7 If taxable income is: The credit shall be:
8 Not over \$35,400 \$0.00
9 Over \$35,400 but not over \$43,400 \$0.00 plus 1.70% of
10 the excess over \$35,400
11 Over \$43,400 but not over \$43,470 \$136.00 plus 3.20% of
12 the excess over \$43,400
13 Over \$43,470 but not over \$48,180 \$138.24 plus 0.31% of
14 the excess over \$43,470
15 Over \$48,180 but not over \$51,400 \$152.84 less 2.24% of
16 the excess over \$48,180
17 Over \$51,400 but not over \$52,880 \$80.71 less 0.74% of
18 the excess over \$51,400
19 Over \$52,880 but not over \$55,000 \$69.76 less 3.29% of
20 the excess over \$52,880
21 Over \$55,000 \$0.00; and

22 (h) eight or more personal exemptions:

23 If taxable income is: The credit shall be:
24 Not over \$38,900 \$0.00
25 Over \$38,900 but not over \$46,060 \$0.00 plus 1.70% of

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$38,900
2 Over \$46,060 but not over \$46,900 \$121.72 less 1.36% of
3 the excess over \$46,060
4 Over \$46,900 but not over \$50,500 \$110.30 plus 0.14% of
5 the excess over \$46,900
6 Over \$50,500 but not over \$55,005 \$115.34 less 2.56% of
7 the excess over \$50,500
8 Over \$55,005 \$0.00.

9 (3) For married individuals filing joint
10 returns with:

11 (a) two personal exemptions:

| 12 If taxable income is: | The credit shall be: |
|--|--------------------------|
| 13 Not over \$17,900 | \$0.00 |
| 14 Over \$17,900 but not over \$22,900 | \$0.00 plus 1.70% of |
| 15 | the excess over \$17,900 |
| 16 Over \$22,900 but not over \$25,900 | \$85.00 plus 0.00% of |
| 17 | the excess over \$22,900 |
| 18 Over \$25,900 but not over \$30,000 | \$85.00 plus 1.50% of |
| 19 | the excess over \$25,900 |
| 20 Over \$30,000 but not over \$30,750 | \$146.50 plus 1.16% of |
| 21 | the excess over \$30,000 |
| 22 Over \$30,750 but not over \$33,900 | \$155.20 less 0.64% of |
| 23 | the excess over \$30,750 |
| 24 Over \$33,900 but not over \$37,420 | \$135.04 plus 0.86% of |
| 25 | the excess over \$33,900 |

.170999.3

underscored material = new
[bracketed material] = delete

1 Over \$37,420 but not over \$41,900 \$165.31 less 0.94% of
2 the excess over \$37,420
3 Over \$41,900 but not over \$44,080 \$123.20 less 0.74% of
4 the excess over \$41,900
5 Over \$44,080 but not over \$55,005 \$107.07 less 0.98% of
6 the excess over \$44,080
7 Over \$55,005 \$0.00;

8 (b) three personal exemptions:

9 If taxable income is: The credit shall be:
10 Not over \$21,400 \$0.00
11 Over \$21,400 but not over \$28,900 \$0.00 plus 1.70% of
12 the excess over \$21,400
13 Over \$28,900 but not over \$29,400 \$127.50 plus 0.00% of
14 the excess over \$28,900
15 Over \$29,400 but not over \$30,000 \$127.50 plus 1.50% of
16 the excess over \$29,400
17 Over \$30,000 but not over \$35,310 \$136.50 plus 0.99% of
18 the excess over \$30,000
19 Over \$35,310 but not over \$37,400 \$189.07 less 0.96% of
20 the excess over \$35,310
21 Over \$37,400 but not over \$41,460 \$169.01 plus 0.54% of
22 the excess over \$37,400
23 Over \$41,460 but not over \$45,400 \$190.93 less 1.41% of
24 the excess over \$41,460
25 Over \$45,400 but not over \$47,620 \$135.38 less 1.21% of

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$45,400
2 Over \$47,620 but not over \$55,002 \$108.51 less 1.47% of
3 the excess over \$47,620
4 Over \$55,002 \$0.00;

5 (c) four personal exemptions:

| 6 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 7 | Not over \$24,900 | \$0.00 |
| 8 | Over \$24,900 but not over \$32,900 | \$0.00 plus 1.70% of |
| 9 | | the excess over \$24,900 |
| 10 | Over \$32,900 but not over \$33,500 | \$136.00 plus 3.20% of |
| 11 | | the excess over \$32,900 |
| 12 | Over \$33,500 but not over \$39,210 | \$155.20 plus 0.82% of |
| 13 | | the excess over \$33,500 |
| 14 | Over \$39,210 but not over \$40,900 | \$202.02 less 1.28% of |
| 15 | | the excess over \$39,210 |
| 16 | Over \$40,900 but not over \$44,930 | \$180.39 plus 0.22% of |
| 17 | | the excess over \$40,900 |
| 18 | Over \$44,930 but not over \$48,900 | \$189.26 less 1.88% of |
| 19 | | the excess over \$44,930 |
| 20 | Over \$48,900 but not over \$50,640 | \$114.62 less 1.68% of |
| 21 | | the excess over \$48,900 |
| 22 | Over \$50,640 but not over \$54,997 | \$85.39 less 1.96% of |
| 23 | | the excess over \$50,640 |
| 24 | Over \$54,997 | \$0.00; |

25 (d) five personal exemptions:

.170999.3

underscored material = new
[bracketed material] = delete

| 1 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 2 | Not over \$28,400 | \$0.00 |
| 3 | Over \$28,400 but not over \$36,400 | \$0.00 plus 1.70% of |
| 4 | | the excess over \$28,400 |
| 5 | Over \$36,400 but not over \$37,270 | \$136.00 plus 3.20% of |
| 6 | | the excess over \$36,400 |
| 7 | Over \$37,270 but not over \$42,600 | \$163.84 plus 0.65% of |
| 8 | | the excess over \$37,270 |
| 9 | Over \$42,600 but not over \$44,400 | \$198.49 less 1.60% of |
| 10 | | the excess over \$42,600 |
| 11 | Over \$44,400 but not over \$47,930 | \$169.69 less 0.10% of |
| 12 | | the excess over \$44,400 |
| 13 | Over \$47,930 but not over \$52,400 | \$166.16 less 2.35% of |
| 14 | | the excess over \$47,930 |
| 15 | Over \$52,400 but not over \$53,270 | \$61.11 less 2.15% of |
| 16 | | the excess over \$52,400 |
| 17 | Over \$53,270 but not over \$55,001 | \$42.41 less 2.45% of |
| 18 | | the excess over \$53,270 |
| 19 | Over \$55,001 | \$0.00; |

(e) six personal exemptions:

| 21 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 22 | Not over \$31,900 | \$0.00 |
| 23 | Over \$31,900 but not over \$39,900 | \$0.00 plus 1.70% of |
| 24 | | the excess over \$31,900 |
| 25 | Over \$39,900 but not over \$40,560 | \$136.00 plus 3.20% of |

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$39,900
2 Over \$40,560 but not over \$45,560 \$157.12 plus 0.48% of
3 the excess over \$40,560
4 Over \$45,560 but not over \$47,900 \$181.12 less 1.92% of
5 the excess over \$45,560
6 Over \$47,900 but not over \$50,560 \$136.19 less 0.42% of
7 the excess over \$47,900
8 Over \$50,560 but not over \$54,993 \$125.02 less 2.82% of
9 the excess over \$50,560
10 Over \$54,993 \$0.00;

11 (f) seven personal exemptions:

12 If taxable income is: The credit shall be:
13 Not over \$35,400 \$0.00
14 Over \$35,400 but not over \$43,400 \$0.00 plus 1.70% of
15 the excess over \$35,400
16 Over \$43,400 but not over \$43,470 \$136.00 plus 3.20% of
17 the excess over \$43,400
18 Over \$43,470 but not over \$48,180 \$138.24 plus 0.31% of
19 the excess over \$43,470
20 Over \$48,180 but not over \$51,400 \$152.84 less 2.24% of
21 the excess over \$48,180
22 Over \$51,400 but not over \$52,880 \$80.71 less 0.74% of
23 the excess over \$51,400
24 Over \$52,880 but not over \$55,000 \$69.76 less 3.29% of
25 the excess over \$52,880

.170999.3

underscored material = new
[bracketed material] = delete

1 Over \$55,000 \$0.00;

2 (g) eight personal exemptions:

3 If taxable income is: The credit shall be:

4 Not over \$38,900 \$0.00

5 Over \$38,900 but not over \$46,060 \$0.00 plus 1.70% of
6 the excess over \$38,900

7 Over \$46,060 but not over \$46,900 \$121.72 less 1.36% of
8 the excess over \$46,060

9 Over \$46,900 but not over \$50,500 \$110.30 plus 0.14% of
10 the excess over \$46,900

11 Over \$50,500 but not over \$54,900 \$115.34 less 2.56% of
12 the excess over \$50,500

13 Over \$54,900 but not over \$54,940 \$2.70 less 1.06% of
14 the excess over \$54,900

15 Over \$54,940 but not over \$55,000 \$2.27 less 3.76% of
16 the excess over \$54,940

17 Over \$55,000 \$0.00; and

18 (h) nine or more personal exemptions:

19 If taxable income is: The credit shall be:

20 Not over \$42,400 \$0.00

21 Over \$42,400 but not over \$48,370 \$0.00 plus 1.70% of
22 the excess over \$42,400

23 Over \$48,370 but not over \$50,400 \$101.49 less 1.53% of
24 the excess over \$48,370

25 Over \$50,400 but not over \$52,580 \$70.43 less 0.03% of

.170999.3

1 the excess over \$50,400
2 Over \$52,580 but not over \$55,003 \$69.78 less 2.88% of
3 the excess over \$52,580
4 Over \$55,003 \$0.00.

5 (4) For single individuals with:

6 (a) one personal exemption:

7 If taxable income is: The credit shall be:
8 Not over \$8,950 \$0.00
9 Over \$8,950 but not over \$11,450 \$0.00 plus 1.70% of
10 the excess over \$8,950
11 Over \$11,450 but not over \$14,450 \$42.50 plus 0.00% of
12 the excess over \$11,450
13 Over \$14,450 but not over \$16,950 \$42.50 plus 1.50% of
14 the excess over \$14,450
15 Over \$16,950 but not over \$19,950 \$80.00 plus 0.00% of
16 the excess over \$16,950
17 Over \$19,950 but not over \$20,000 \$80.00 plus 1.50% of
18 the excess over \$19,950
19 Over \$20,000 but not over \$22,130 \$80.75 plus 1.02% of
20 the excess over \$20,000
21 Over \$22,130 but not over \$24,950 \$102.48 less 0.70% of
22 the excess over \$22,130
23 Over \$24,950 but not over \$26,480 \$82.74 less 0.50% of
24 the excess over \$24,950
25 Over \$26,480 but not over \$36,627 \$75.09 less 0.74% of

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$26,480

2 Over \$36,627 \$0.00;

3 (b) two personal exemptions:

4 If taxable income is: The credit shall be:

5 Not over \$12,450 \$0.00

6 Over \$12,450 but not over \$17,450 \$0.00 plus 1.70% of
7 the excess over \$12,450

8 Over \$17,450 but not over \$17,950 \$85.00 plus 0.00% of
9 the excess over \$17,450

10 Over \$17,950 but not over \$20,000 \$85.00 plus 1.50% of
11 the excess over \$17,950

12 Over \$20,000 but not over \$22,270 \$115.75 plus 0.99% of
13 the excess over \$20,000

14 Over \$22,270 but not over \$23,450 \$138.22 less 0.96% of
15 the excess over \$22,270

16 Over \$23,450 but not over \$26,500 \$126.90 plus 0.54% of
17 the excess over \$23,450

18 Over \$26,500 but not over \$28,450 \$143.37 less 1.41% of
19 the excess over \$26,500

20 Over \$28,450 but not over \$30,350 \$115.87 less 1.21% of
21 the excess over \$28,450

22 Over \$30,350 but not over \$36,668 \$92.88 less 1.47% of
23 the excess over \$30,350

24 Over \$36,668 \$0.00;

25 (c) three personal exemptions:

.170999.3

underscored material = new
[bracketed material] = delete

| 1 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 2 | Not over \$15,950 | \$0.00 |
| 3 | Over \$15,950 but not over \$21,450 | \$0.00 plus 1.70% of |
| 4 | | the excess over \$15,950 |
| 5 | Over \$21,450 but not over \$22,380 | \$93.50 plus 3.20% of |
| 6 | | the excess over \$21,450 |
| 7 | Over \$22,380 but not over \$26,170 | \$123.26 plus 0.74% of |
| 8 | | the excess over \$22,380 |
| 9 | Over \$26,170 but not over \$26,950 | \$151.31 less 1.44% of |
| 10 | | the excess over \$26,170 |
| 11 | Over \$26,950 but not over \$29,970 | \$140.07 plus 0.06% of |
| 12 | | the excess over \$26,950 |
| 13 | Over \$29,970 but not over \$31,950 | \$141.89 less 2.12% of |
| 14 | | the excess over \$29,970 |
| 15 | Over \$31,950 but not over \$33,410 | \$99.91 less 1.92% of |
| 16 | | the excess over \$31,950 |
| 17 | Over \$33,410 but not over \$36,662 | \$71.88 less 2.21% of |
| 18 | | the excess over \$33,410 |
| 19 | Over \$36,662 | \$0.00; |

(d) four personal exemptions:

| 21 | If taxable income is: | The credit shall be: |
|----|-------------------------------------|--------------------------|
| 22 | Not over \$19,450 | \$0.00 |
| 23 | Over \$19,450 but not over \$24,950 | \$0.00 plus 1.70% of |
| 24 | | the excess over \$19,450 |
| 25 | Over \$24,950 but not over \$25,910 | \$93.50 plus 3.20% of |

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$24,950
2 Over \$25,910 but not over \$29,340 \$124.22 plus 0.48% of
3 the excess over \$25,910
4 Over \$29,340 but not over \$30,450 \$140.68 less 1.92% of
5 the excess over \$29,340
6 Over \$30,450 but not over \$32,780 \$119.37 less 0.42% of
7 the excess over \$30,450
8 Over \$32,780 but not over \$35,450 \$109.59 less 2.82% of
9 the excess over \$32,780
10 Over \$35,450 but not over \$35,910 \$34.29 less 2.62% of
11 the excess over \$35,450
12 Over \$35,910 but not over \$36,666 \$22.24 less 2.94% of
13 the excess over \$35,910
14 Over \$36,666 \$0.00;

15 (e) five personal exemptions:

16 If taxable income is: The credit shall be:
17 Not over \$22,950 \$0.00
18 Over \$22,950 but not over \$28,450 \$0.00 plus 1.70% of
19 the excess over \$22,950
20 Over \$28,450 but not over \$28,830 \$93.50 plus 3.20% of
21 the excess over \$28,450
22 Over \$28,830 but not over \$31,970 \$105.66 plus 0.23% of
23 the excess over \$28,830
24 Over \$31,970 but not over \$33,950 \$112.88 less 2.40% of
25 the excess over \$31,970

.170999.3

underscored material = new
[bracketed material] = delete

1 Over \$33,950 but not over \$35,110 \$65.36 less 0.90% of
2 the excess over \$33,950
3 Over \$35,110 but not over \$36,666 \$54.92 less 3.53% of
4 the excess over \$35,110
5 Over \$36,666 \$0.00;

6 (f) six personal exemptions:

7 If taxable income is: The credit shall be:
8 Not over \$26,450 \$0.00
9 Over \$26,450 but not over \$31,290 \$0.00 plus 1.70% of
10 the excess over \$26,450
11 Over \$31,290 but not over \$31,950 \$82.28 less 1.53% of
12 the excess over \$31,290
13 Over \$31,950 but not over \$34,180 \$72.18 less 0.03% of
14 the excess over \$31,950
15 Over \$34,180 but not over \$36,663 \$71.51 less 2.88% of
16 the excess over \$34,180
17 Over \$36,663 \$0.00;

18 (g) seven personal exemptions:

19 If taxable income is: The credit shall be:
20 Not over \$29,950 \$0.00
21 Over \$29,950 but not over \$33,390 \$0.00 plus 1.70% of
22 the excess over \$29,950
23 Over \$33,390 but not over \$35,450 \$58.48 less 1.79% of
24 the excess over \$33,390
25 Over \$35,450 but not over \$36,070 \$21.61 less 0.29% of

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$35,450
2 Over \$36,070 but not over \$36,660 \$19.81 less 3.36% of
3 the excess over \$36,070
4 Over \$36,660 \$0.00; and

5 (h) eight or more personal exemptions:

6 If taxable income is: The credit shall be:
7 Not over \$33,450 \$0.00
8 Over \$33,450 but not over \$35,200 \$0.00 plus 1.70% of
9 the excess over \$33,450
10 Over \$35,200 but not over \$36,658 \$29.75 less 2.04% of
11 the excess over \$35,200
12 Over \$36,658 \$0.00.

13 (5) For heads of household with:

14 (a) one personal exemption:

15 If taxable income is: The credit shall be:
16 Not over \$11,500 \$0.00
17 Over \$11,500 but not over \$14,000 \$0.00 plus 1.70% of
18 the excess over \$11,500
19 Over \$14,000 but not over \$19,500 \$42.50 plus 0.00% of
20 the excess over \$14,000
21 Over \$19,500 but not over \$22,000 \$42.50 plus 1.50% of
22 the excess over \$19,500
23 Over \$22,000 but not over \$27,500 \$80.00 plus 0.00% of
24 the excess over \$22,000
25 Over \$27,500 but not over \$30,000 \$80.00 plus 1.50% of

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$27,500
2 Over \$30,000 but not over \$35,500 \$117.50 less 0.47% of
3 the excess over \$30,000
4 Over \$35,500 but not over \$37,270 \$91.65 less 0.27% of
5 the excess over \$35,500
6 Over \$37,270 but not over \$54,999 \$86.87 less 0.49% of
7 the excess over \$37,270
8 Over \$54,999 \$0.00;

9 (b) two personal exemptions:

10 If taxable income is: The credit shall be:
11 Not over \$15,000 \$0.00
12 Over \$15,000 but not over \$20,000 \$0.00 plus 1.70% of
13 the excess over \$15,000
14 Over \$20,000 but not over \$23,000 \$85.00 plus 0.00% of
15 the excess over \$20,000
16 Over \$23,000 but not over \$28,000 \$85.00 plus 1.50% of
17 the excess over \$23,000
18 Over \$28,000 but not over \$30,000 \$160.00 plus 0.00% of
19 the excess over \$28,000
20 Over \$30,000 but not over \$31,000 \$160.00 less 0.64% of
21 the excess over \$30,000
22 Over \$31,000 but not over \$35,000 \$153.60 plus 0.86% of
23 the excess over \$31,000
24 Over \$35,000 but not over \$39,000 \$188.00 less 0.94% of
25 the excess over \$35,000

.170999.3

1 Over \$39,000 but not over \$41,670 \$150.40 less 0.74% of
2 the excess over \$39,000
3 Over \$41,670 but not over \$55,001 \$130.64 less 0.98% of
4 the excess over \$41,670;
5 Over \$55,001 \$0.00;

6 (c) three personal exemptions:

7 If taxable income is: The credit shall be:
8 Not over \$18,500 \$0.00
9 Over \$18,500 but not over \$26,000 \$0.00 plus 1.70% of
10 the excess over \$18,500
11 Over \$26,000 but not over \$26,500 \$127.50 plus 0.00% of
12 the excess over \$26,000
13 Over \$26,500 but not over \$30,000 \$127.50 plus 1.50% of
14 the excess over \$26,500
15 Over \$30,000 but not over \$33,080 \$180.00 plus 0.99% of
16 the excess over \$30,000
17 Over \$33,080 but not over \$34,500 \$210.49 less 0.96% of
18 the excess over \$33,080
19 Over \$34,500 but not over \$39,230 \$196.86 plus 0.54% of
20 the excess over \$34,500
21 Over \$39,230 but not over \$42,500 \$222.40 less 1.41% of
22 the excess over \$39,230
23 Over \$42,500 but not over \$45,380 \$176.30 less 1.21% of
24 the excess over \$42,500
25 Over \$45,380 but not over \$55,002 \$141.45 less 1.47% of

.170999.3

underscored material = new
[bracketed material] = delete

1 the excess over \$45,380

2 Over \$55,002 \$0.00;

3 (d) four personal exemptions:

4 If taxable income is: The credit shall be:

5 Not over \$22,000 \$0.00

6 Over \$22,000 but not over \$30,000 \$0.00 plus 1.70% of
7 the excess over \$22,000

8 Over \$30,000 but not over \$31,430 \$136.00 plus 3.20% of
9 the excess over \$30,000

10 Over \$31,430 but not over \$37,140 \$181.76 plus 0.82% of
11 the excess over \$31,430

12 Over \$37,140 but not over \$38,000 \$228.58 less 1.28% of
13 the excess over \$37,140

14 Over \$38,000 but not over \$42,860 \$217.57 plus 0.22% of
15 the excess over \$38,000

16 Over \$42,860 but not over \$46,000 \$228.27 less 1.88% of
17 the excess over \$42,860

18 Over \$46,000 but not over \$48,570 \$169.23 less 1.68% of
19 the excess over \$46,000

20 Over \$48,570 but not over \$55,002 \$126.06 less 1.96% of
21 the excess over \$48,570

22 Over \$55,002 \$0.00;

23 (e) five personal exemptions:

24 If taxable income is: The credit shall be:

25 Not over \$25,500 \$0.00

.170999.3

underscored material = new
[bracketed material] = delete

| | | |
|----|-------------------------------------|--------------------------|
| 1 | Over \$25,500 but not over \$33,500 | \$0.00 plus 1.70% of |
| 2 | | the excess over \$25,500 |
| 3 | Over \$33,500 but not over \$35,330 | \$136.00 plus 3.20% of |
| 4 | | the excess over \$33,500 |
| 5 | Over \$35,330 but not over \$40,670 | \$194.56 plus 0.65% of |
| 6 | | the excess over \$35,330 |
| 7 | Over \$40,670 but not over \$41,500 | \$229.27 less 1.60% of |
| 8 | | the excess over \$40,670 |
| 9 | Over \$41,500 but not over \$46,000 | \$215.99 less 0.10% of |
| 10 | | the excess over \$41,500 |
| 11 | Over \$46,000 but not over \$49,500 | \$211.49 less 2.35% of |
| 12 | | the excess over \$46,000 |
| 13 | Over \$49,500 but not over \$51,330 | \$129.24 less 2.15% of |
| 14 | | the excess over \$49,500 |
| 15 | Over \$51,330 but not over \$54,999 | \$89.90 less 2.45% of |
| 16 | | the excess over \$51,330 |
| 17 | Over \$54,999 | \$0.00; |

(f) six personal exemptions:

| | | |
|----|-------------------------------------|--------------------------|
| 19 | If taxable income is: | The credit shall be: |
| 20 | Not over \$29,000 | \$0.00 |
| 21 | Over \$29,000 but not over \$37,000 | \$0.00 plus 1.70% of |
| 22 | | the excess over \$29,000 |
| 23 | Over \$37,000 but not over \$38,750 | \$136.00 plus 3.20% of |
| 24 | | the excess over \$37,000 |
| 25 | Over \$38,750 but not over \$43,750 | \$192.00 plus 0.48% of |

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1 the excess over \$38,750
2 Over \$43,750 but not over \$45,000 \$216.00 less 1.92% of
3 the excess over \$43,750
4 Over \$45,000 but not over \$48,750 \$192.00 less 0.42% of
5 the excess over \$45,000
6 Over \$48,750 but not over \$53,000 \$176.25 less 2.82% of
7 the excess over \$48,750
8 Over \$53,000 but not over \$53,750 \$56.40 less 2.62% of
9 the excess over \$53,000
10 Over \$53,750 but not over \$55,000 \$36.75 less 2.94% of
11 the excess over \$53,750
12 Over \$55,000 \$0.00;

(g) seven personal exemptions:

14 If taxable income is: The credit shall be:
15 Not over \$32,500 \$0.00
16 Over \$32,500 but not over \$40,500 \$0.00 plus 1.70% of
17 the excess over \$32,500
18 Over \$40,500 but not over \$41,760 \$136.00 plus 3.20% of
19 the excess over \$40,500
20 Over \$41,760 but not over \$46,470 \$176.32 plus 0.31% of
21 the excess over \$41,760
22 Over \$46,470 but not over \$48,500 \$190.92 less 2.24% of
23 the excess over \$46,470
24 Over \$48,500 but not over \$51,180 \$145.45 less 0.74% of
25 the excess over \$48,500

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1 Over \$51,180 but not over \$54,998 \$125.62 less 3.29% of
2 the excess over \$51,180
3 Over \$54,998 \$0.00; and

4 (h) eight or more personal exemptions:

5 If taxable income is: The credit shall be:
6 Not over \$36,000 \$0.00
7 Over \$36,000 but not over \$44,000 \$0.00 plus 1.70% of
8 the excess over \$36,000
9 Over \$44,000 but not over \$44,440 \$136.00 plus 3.20% of
10 the excess over \$44,000
11 Over \$44,440 but not over \$48,890 \$150.08 plus 0.14% of
12 the excess over \$44,440
13 Over \$48,890 but not over \$52,000 \$156.31 less 2.56% of
14 the excess over \$48,890
15 Over \$52,000 but not over \$53,330 \$76.69 less 1.06% of
16 the excess over \$52,000
17 Over \$53,330 but not over \$54,995 \$62.60 less 3.76% of
18 the excess over \$53,330
19 Over \$54,995 \$0.00.

20 (6) For 2010 and subsequent years, the taxable
21 income amounts in the tables in Paragraphs (1) through (5) of
22 this subsection shall be indexed for inflation under the
23 provisions of Section 7-1-83 NMSA 1978 using 2009 as the base
24 year, and the credit amounts at each taxable income level in
25 each table recomputed using the percentages in the table.

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1 E. A taxpayer who is a full-year resident of New
 2 Mexico, who files an individual New Mexico income tax return and
 3 who is not a trust, estate or dependent of another taxpayer may
 4 claim a credit for a portion of state and local taxes to which
 5 the resident has been subject during the taxable year for which
 6 the return is filed in an amount determined from the table in
 7 Paragraph (1) of this subsection. The tax credit may be claimed
 8 even though the resident has no income taxable under the Income
 9 Tax Act. A husband and wife who file separate returns for a
 10 taxable year in which they could have filed a joint return may
 11 each claim only one-half of the tax credit that would have been
 12 allowed on a joint return:

13 (1) full-year resident state and local tax
 14 credit table:

15 If the modified And the total number of personal
 16 gross income is: exemptions is:
 17 1 2 3 4 5 6 or
 18 more

19 The credit shall be:

| | | | | | | | | |
|----|------------------|---------|-------|-------|-------|-------|-------|-------|
| 20 | Not over \$4,500 | | \$135 | \$195 | \$250 | \$310 | \$355 | \$450 |
| 21 | | But not | | | | | | |
| 22 | Over | over | | | | | | |
| 23 | \$4,500 | \$5,000 | 125 | 190 | 240 | 305 | 355 | 450 |
| 24 | \$5,000 | \$5,500 | 115 | 175 | 230 | 295 | 355 | 430 |
| 25 | \$5,500 | \$6,000 | 105 | 155 | 210 | 260 | 315 | 410 |

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| | | | | | | | | |
|----|---------------|----------|----|-----|-----|-----|-----|-----|
| 1 | \$6,000 | \$7,000 | 90 | 130 | 170 | 220 | 275 | 370 |
| 2 | \$7,000 | \$8,000 | 80 | 115 | 145 | 180 | 225 | 295 |
| 3 | \$8,000 | \$9,000 | 70 | 105 | 135 | 170 | 195 | 240 |
| 4 | \$9,000 | \$10,000 | 65 | 95 | 115 | 145 | 175 | 205 |
| 5 | \$10,000 | \$11,000 | 60 | 80 | 100 | 130 | 155 | 185 |
| 6 | \$11,000 | \$12,000 | 55 | 70 | 90 | 110 | 135 | 160 |
| 7 | \$12,000 | \$13,000 | 50 | 65 | 85 | 100 | 115 | 140 |
| 8 | \$13,000 | \$14,000 | 50 | 65 | 85 | 100 | 115 | 140 |
| 9 | \$14,000 | \$15,000 | 45 | 60 | 75 | 90 | 105 | 120 |
| 10 | \$15,000 | \$16,000 | 40 | 55 | 70 | 85 | 95 | 110 |
| 11 | \$16,000 | \$17,000 | 35 | 50 | 65 | 80 | 85 | 105 |
| 12 | \$17,000 | \$18,000 | 30 | 45 | 60 | 70 | 80 | 95 |
| 13 | \$18,000 | \$19,000 | 25 | 35 | 50 | 60 | 70 | 80 |
| 14 | \$19,000 | \$20,000 | 20 | 30 | 40 | 50 | 60 | 65 |
| 15 | \$20,000 | \$21,000 | 15 | 25 | 30 | 40 | 50 | 55 |
| 16 | \$21,000 | \$22,000 | 10 | 20 | 25 | 35 | 40 | 45 |
| 17 | Over \$22,000 | | 0 | 0 | 0 | 0 | 0 | 0; |

(2) as used in this subsection, "full-year resident" includes a first-year resident, and if either spouse on a married-filing-joint return is a full-year resident, both spouses and all of their dependents are full-year residents;

(3) for purposes of this subsection, the number of personal exemptions shall be increased by two for each individual included in the return who is sixty-five years of age or older, increased by one for each individual included in the

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1 return who, for federal income tax purposes, is blind and
2 reduced by one for an individual included in the return who was
3 an inmate of a public institution for more than six months
4 during the taxable year for which the return is filed; and

5 (4) for 2010 and subsequent years, the taxable
6 income and credit amounts in the table shall be indexed for
7 inflation under the provisions of Section 7-1-83 NMSA 1978 using
8 2009 as the base year.

9 F. The credits determined pursuant to Subsections B,
10 C and D of this section shall be claimed against the tax imposed
11 pursuant to Section 7-2-3 NMSA 1978 before any other credit or
12 tax rebate authorized under the Income Tax Act.

13 G. If the credit provided in this section exceeds
14 the tax imposed pursuant to Section 7-2-3 NMSA 1978, an amount
15 shall be refunded to the taxpayer that equals the lesser of:

16 (1) the excess; or

17 (2) the portion of the credit determined
18 pursuant to Subsection E of this section."

19 Section 16. Section 7-2-11 NMSA 1978 (being Laws 1965,
20 Chapter 202, Section 9, as amended) is amended to read:

21 "7-2-11. TAX CREDIT--INCOME ALLOCATION AND
22 APPORTIONMENT.--

23 A. [~~Net~~] Taxable income of any individual having
24 income that is taxable both within and without [~~this state~~] New
25 Mexico shall be apportioned and allocated as follows:

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1 (1) during the first taxable year in which an
2 individual incurs tax liability as a resident, only income
3 earned on or after the date the individual became a resident
4 and, in addition, income earned in New Mexico while a
5 nonresident of New Mexico shall be allocated to New Mexico;

6 (2) except as provided otherwise in Paragraph
7 (1) of this subsection, income other than compensation or
8 gambling winnings shall be allocated and apportioned as provided
9 in the Uniform Division of Income for Tax Purposes Act, but if
10 the income is not allocated or apportioned by that act, then it
11 may be allocated or apportioned in accordance with instructions,
12 rulings or regulations of the secretary;

13 (3) except as provided otherwise in Paragraph
14 (1) of this subsection, compensation and gambling winnings of a
15 resident taxpayer shall be allocated to [~~this state~~] New Mexico;

16 (4) compensation of a nonresident taxpayer
17 shall be allocated to [~~this state~~] New Mexico to the extent that
18 [~~such~~] the compensation is for activities, labor or personal
19 services within [~~this state~~] New Mexico; provided:

20 (a) if the activities, labor or services
21 are performed in [~~this state~~] New Mexico for fifteen or fewer
22 days during the taxpayer's taxable year, the compensation may be
23 allocated to the taxpayer's state of residence; and

24 (b) if the compensation is for
25 activities, labor or services performed for a business in the

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1 manufacturing industry in New Mexico that is located within
2 twenty miles of an international border, that has a minimum of
3 five full-time employees who are New Mexico residents, is not
4 receiving development training funds under Section 21-19-7 NMSA
5 1978 and that meets the qualifications of one of Items 1)
6 through 4) of this subparagraph, the compensation may be
7 allocated to the taxpayer's state of residence: 1) the business
8 had no payroll in New Mexico during the previous calendar year;
9 2) the business had a payroll in New Mexico for less than the
10 entire previous calendar year, and the first payroll of the new
11 calendar year includes payments to New Mexico residents
12 exceeding the highest monthly payroll for such residents in the
13 previous calendar year; 3) the business had a payroll in New
14 Mexico for the entire previous calendar year, and the first
15 payroll of the new calendar year includes payments to New Mexico
16 residents exceeding by at least ten percent both the payroll for
17 all employees in January 2001 and the payroll for New Mexico
18 residents twelve months prior to the commencement of the new
19 calendar year; or 4) the business had a payroll in New Mexico
20 for the entire previous calendar year, but had no payroll in New
21 Mexico within one year prior to January 1, 2001, and the first
22 payroll of the new calendar year includes payments to New Mexico
23 residents exceeding by at least ten percent the payroll for such
24 residents twelve months earlier;

25 (5) gambling winnings of a nonresident shall

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1 be allocated to [~~this state~~] New Mexico if the gambling winnings
2 arose from a source within [~~this state~~] New Mexico; and

3 (6) other deductions and exemptions allowable
4 in computing [~~net~~] taxable income and not specifically allocated
5 in the Uniform Division of Income for Tax Purposes Act shall be
6 equitably allocated or apportioned in accordance with
7 instructions, rulings or regulations of the secretary.

8 B. For the purposes of this section, "non-New Mexico
9 percentage" means the [~~percentage~~] quotient determined by
10 dividing the difference between the taxpayer's [~~net~~] taxable
11 income and the sum of the amounts allocated or apportioned to
12 New Mexico by that [~~net~~] taxable income; provided that, if the
13 quotient is greater than one, it shall be one and if the
14 quotient is less than zero, it shall be zero.

15 C. A taxpayer may claim a credit in an amount equal
16 to the non-New Mexico percentage multiplied by the difference
17 between the amount of tax determined to be due under Section
18 7-2-7 or 7-2-7.1 NMSA 1978 [~~multiplied by the non-New Mexico~~
19 percentage] and the credit determined pursuant to Subsections B,
20 C and D of Section 7-2-7.4 NMSA 1978."

21 Section 17. Section 7-2-12 NMSA 1978 (being Laws 1965,
22 Chapter 202, Section 10, as amended) is amended to read:

23 "7-2-12. TAXPAYER RETURNS--FILING STATUS--PAYMENT OF
24 TAX.--

25 A. Every resident of [~~this state~~] New Mexico and

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1 every individual deriving income from any business transaction,
2 property or employment within [~~this state~~] New Mexico and not
3 exempt from tax under the Income Tax Act who is required by the
4 laws of the United States to file a federal income tax return
5 shall file a complete tax return with the department in form and
6 content as prescribed by the secretary. [~~Except as provided in~~
7 ~~Subsection B of this section~~]

8 B. The taxpayer shall use the same filing status on
9 the New Mexico income tax return as the taxpayer used for
10 federal income tax purposes or the same filing status as would
11 have been used for federal income tax purposes if the taxpayer
12 had been required to file a federal income tax return.

13 C. The return required and the tax imposed on
14 individuals under the Income Tax Act are due and payment is
15 required on or before the fifteenth day of the fourth month
16 following the end of the taxable year; [~~B.~~] provided that when
17 the department approves electronic media for use by a taxpayer
18 whose taxable year is a calendar year, the taxpayer who uses
19 electronic media for both filing and payment must submit the
20 required return and the tax imposed on individuals under the
21 Income Tax Act on or before the thirtieth day of the fourth
22 month following the end of the taxable year."

23 Section 18. Section 7-2-12.1 NMSA 1978 (being Laws 1990,
24 Chapter 23, Section 1) is amended to read:

25 "7-2-12.1. LIMITATION ON CLAIMING OF CREDITS AND TAX

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1 REBATES.--

2 A. Except as provided otherwise in this section, a
3 credit or tax rebate provided in the Income Tax Act that is
4 claimed shall be disallowed if the claim for the credit or tax
5 rebate was first made after the end of the third calendar year
6 following the calendar year in which the return upon which the
7 credit or tax rebate was first claimable was initially due.

8 B. Subsection A of this section does not apply to:

9 (1) the credit authorized by Section 7-2-7.4
10 NMSA 1978 for exemptions, deductions, rate brackets and state
11 and local taxes;

12 [~~1~~] (2) the credit authorized by Section
13 7-2-13 NMSA 1978 for income taxes paid another state; or

14 [~~2~~] (3) the credit authorized by Section
15 7-2-19 NMSA 1978 for income taxes paid another state."

16 Section 19. Section 7-2-32 NMSA 1978 (being Laws 1997,
17 Chapter 259, Section 8) is amended to read:

18 "7-2-32. DEDUCTION--PAYMENTS INTO EDUCATION TRUST FUND.--
19 In determining taxable income, a taxpayer may claim a deduction
20 [~~from net income~~] in an amount equal to the payments made by the
21 taxpayer into the education trust fund pursuant to a college
22 investment agreement or prepaid tuition contract under the
23 Education Trust Act in the taxable year for which the deduction
24 is being claimed. The amount of payments made on behalf of any
25 one beneficiary that may be deducted shall not exceed in the

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1 aggregate the cost of attendance at the applicable institution
2 of higher education, as determined by the education trust board.
3 A husband and wife who file separate returns for the taxable
4 year in which they could have filed a joint return may each
5 claim only one-half of the deduction that would have been
6 allowed on the joint return. [~~Individuals having income both~~
7 ~~within and without this state shall apportion this deduction in~~
8 ~~accordance with regulations of the secretary.~~]"

9 Section 20. Section 7-2-34 NMSA 1978 (being Laws 1999,
10 Chapter 205, Section 1, as amended) is amended to read:

11 "7-2-34. DEDUCTION--NET CAPITAL GAIN INCOME.--

12 A. Except as provided in Subsection C of this
13 section, in determining taxable income a taxpayer may claim a
14 deduction [~~from net income~~] in an amount equal to the greater
15 of:

16 (1) the taxpayer's net capital gain income for
17 the taxable year for which the deduction is being claimed, but
18 not to exceed one thousand dollars (\$1,000); or

19 (2) [~~the following percentage~~] fifty percent
20 of the taxpayer's net capital gain income for the taxable year
21 for which the deduction is being claimed

22 [~~(a) for a taxable year beginning in~~
23 ~~2003, ten percent;~~

24 [~~(b) for a taxable year beginning in 2004,~~
25 ~~twenty percent;~~

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1 are not reimbursed or compensated for by insurance or otherwise
2 and have not been included in the taxpayer's itemized
3 deductions, as defined in Section 63 of the Internal Revenue
4 Code for the taxable year.

5 B. The deduction provided in Subsection A of this
6 section may be claimed in an amount equal to the following
7 percentage of medical care expenses paid during the taxable year
8 based on the taxpayer's filing status and adjusted gross income
9 as follows:

10 (1) for surviving spouses and married
11 individuals filing joint returns:

| 12 If adjusted gross income is: | 13 The following percent of 14 medical care expenses 15 paid may be deducted: |
|--|---|
| 16 Not over \$30,000 | 17 25 percent |
| 18 More than \$30,000 but not more than \$70,000 | 19 15 percent |
| 20 Over \$70,000 | 21 10 percent; |

22 (2) for single individuals and married
23 individuals filing separate returns:

| 24 If adjusted gross income is: | 25 The following percent of medical care expenses paid may be deducted: |
|---|---|
| Not over \$15,000 | 25 percent |
| More than \$15,000 but not more than \$35,000 | 15 percent |
| Over \$35,000 | 10 percent; and |

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1 (3) for heads of household:
2 If adjusted gross income is: The following percent of
3 medical care expenses
4 paid may be deducted:
5 Not over \$20,000 25 percent
6 More than \$20,000 but not more than \$50,000 15 percent
7 Over \$50,000 10 percent.

8 C. As used in this section:

9 [~~(1)~~] "~~dependent~~" means ~~dependent as defined in~~
10 ~~Section 152 of the Internal Revenue Code;~~

11 ~~(2)~~] (1) "health care facility" means a
12 hospital, outpatient facility, diagnostic and treatment center,
13 rehabilitation center, [~~free-standing~~] freestanding hospice or
14 other similar facility at which medical care is provided;

15 [~~(3)~~] (2) "medical care" means the diagnosis,
16 cure, mitigation, treatment or prevention of disease or for the
17 purpose of affecting any structure or function of the body;

18 [~~(4)~~] (3) "medical care expenses" means
19 amounts paid for:

20 (a) the diagnosis, cure, mitigation,
21 treatment or prevention of disease or for the purpose of
22 affecting any structure or function of the body, excluding
23 cosmetic surgery, if provided by a physician or in a health care
24 facility;

25 (b) prescribed drugs or insulin;

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1 (c) qualified long-term care services as
2 defined in Section 7702B(c) of the Internal Revenue Code;

3 (d) insurance covering medical care,
4 including amounts paid as premiums under Part B of Title [~~XVIII~~]
5 18 of the Social Security Act or for a qualified long-term care
6 insurance contract defined in Section 7702B(b) of the Internal
7 Revenue Code, if the insurance or other amount is paid from
8 income included in the taxpayer's adjusted gross income for the
9 taxable year;

10 (e) nursing services, regardless of where
11 the services are rendered, if provided by a practical nurse or a
12 professional nurse licensed to practice in [~~the state~~] New
13 Mexico pursuant to the Nursing Practice Act;

14 (f) specialized treatment or the use of
15 special therapeutic devices if the treatment or device is
16 prescribed by a physician and the patient can show that the
17 expense was incurred primarily for the prevention or alleviation
18 of a physical or mental defect or illness; and

19 (g) care in an institution other than a
20 hospital, such as a sanitarium or rest home, if the principal
21 reason for the presence of the person in the institution is to
22 receive the medical care available; provided that if the meals
23 and lodging are furnished as a necessary part of such care, the
24 cost of the meals and lodging are "medical care expenses";

25 [~~5~~] (4) "physician" means a medical doctor,

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1 osteopathic physician, dentist, podiatrist, chiropractic
2 physician or psychologist licensed or certified to practice in
3 New Mexico; and

4 [~~(6)~~] (5) "prescribed drug" means a drug or
5 biological that requires a prescription of a physician for its
6 use by an individual."

7 Section 22. Section 7-2-36 NMSA 1978 (being Laws 2005,
8 Chapter 113, Section 1) is amended to read:

9 "7-2-36. DEDUCTION--EXPENSES RELATED TO ORGAN DONATION.--

10 A. In determining taxable income, a taxpayer may
11 claim a deduction [~~from net income~~] in an amount not to exceed
12 ten thousand dollars (\$10,000) of organ donation-related
13 expenses, including lost wages, lodging expenses and travel
14 expenses, incurred during the taxable year by the taxpayer or
15 the taxpayer's dependent as a result of the taxpayer's or
16 dependent's donation of a human organ to another person for
17 transfer of that human organ to the body of another person.

18 B. A husband and wife who file separate returns for
19 a taxable year in which they could have filed a joint return may
20 each claim only one-half of the deduction provided by this
21 section that would have been allowed on a joint return.

22 C. [~~For the purposes of~~] As used in this section,
23 [~~(1)~~] "~~dependent~~" means "~~dependent~~" as defined
24 by ~~Section 152 of the Internal Revenue Code, as that section may~~
25 ~~be amended or renumbered; and~~

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1 (2)] "human organ" means all or part of a
2 heart, liver, pancreas, kidney, intestine, lung or bone marrow."

3 Section 23. A new section of the Income Tax Act, Section
4 7-2-37 NMSA 1978, is enacted to read:

5 "7-2-37. [NEW MATERIAL] DEDUCTION--FEDERAL ITEMIZED OR
6 STANDARD DEDUCTION.--In determining taxable income:

7 A. a taxpayer other than an estate or trust who is
8 not a dependent of another taxpayer for the taxable year may
9 claim a deduction in an amount equal to the excess of the
10 standard or itemized deductions allowed the taxpayer for the
11 taxpayer's taxable year under Section 63 of the Internal Revenue
12 Code over an amount equal to the basic standard deduction
13 allowed the taxpayer for the taxpayer's taxable year under
14 Section 63 of the Internal Revenue Code provided that the excess
15 shall not be less than zero; and

16 B. a taxpayer other than an estate or trust who is a
17 dependent of another taxpayer for the taxable year may claim a
18 deduction in an amount equal to the amount allowed the taxpayer
19 for the taxpayer's taxable year for a standard or itemized
20 deductions under Section 63 of the Internal Revenue Code."

21 Section 24. REPEAL.--Sections 7-2-5.8 and 7-2-14 NMSA
22 1978 (being Laws 2005, Chapter 104, Section 5 and Laws 1972,
23 Chapter 20, Section 2, as amended) are repealed.

24 Section 25. APPLICABILITY.--The provisions of this act
25 are applicable to taxable years beginning on or after January 1,

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